

Message Text

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INFO AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 NOUAKCHOTT 2361

E.O. 11652: GDS

TAGS: EFIN EINV BGEN MR FR

SUBJECT: MAJOR STEP TOWARD RESOLUTION OF BIAO/BIMA DISPUTE

1. SUMMARY: AS GESTURE OF FRIENDSHIP AND COOPERATION TOWARD FRANCE, MAURITANIAN GOVERNMENT HAS QUASHED CIVIL AND CRIMINAL PROCEEDINGS AGAINST US-FRENCH OWNED BANQUE INTERNATIONALE POUR LA MAURITANIE (BIMA) AND ITS EMPLOYEES, AND HAS PROPOSED SERIES OF ALTERNATIVE FORMQAS AS BASIS FOR NEGOTIATING RESOLUTION OF OUTSTANDING TECHNICAL AND FINANCIAL PROBLEMS AND REVISION OF CORPORATE ORGANIZATION OF BANK.

2. SEPTEMBER-OCTOBER DEVELOPMENTS: M. DROMERE, NEW PRESIDENT OF BANQUE INTERNATIONALE POUR L'AFRIQUE DE L'OUEST (BIAO) (WHICH IS 49 PERCENT OWNED BY FIRST NATIONAL CITY OF NEW YORK AND IS PARENT/OWNER OF BIMA) SOUGHT OUT MAURITANIAN CENTRAL BANK GOVERNOR OULD DADDAH AT WASHINGTON IMF/IBRD ANNUAL MEETING IN SEPTEMBER TO EXPLORE POSSIBILITY OF NEGOTIATED SETTLEMENT OF BIAO/BIMA-CENTRAL BANK DISPUTE. BOTH SIDES DECLARED THEIR INTEREST IN SETTLING (THEN) EIGHT MONTH LD DISPUTE OVER BIMA'S ALLEGED VIOLATIONS
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OF MAURITANIAN FOREIGN EXCHANGE CONTROLS. DROMERE

INFORMED OULD DADDAH IN MID-OCTOBER THAT BIAO HAD COMPLETED ITS REEXAMINATION AND WAS PREPARED TO SEND A REPRESENTATIVE TO NOUAKCHOTT TO OPEN NEGOTIATIONS. AFTER OBTAINING APPROVAL OF MINISTER OF STATE FOR NATIONAL ECONOMY, SIDI ABDALLAHI, OULD DADDAH TELEXED HIS AGREEMENT TO DROMERE AND PROPOSED MEETING FOLLOWING WEEK. BIAO DEPUTY DIRECTOR DEMARQUETTE MET WITH GOVERNOR AND CENTRAL BANK STAFF OCTOBER 22 AND 23. HE PRESENTED BIAO PROPOSAL: AGREEMENT ON NOMINAL FINE FOR ASSERTED FOREIGN EXCHANGE VIOLATIONS; SALE OF 75 PERCENT OF BIMA SHARES TO CENTRAL BANK OR OTHER MAURITANIAN NATIONALITY ENTITY FOR SUM EQUAL TO FINE; TECHNICAL ASSISTANCE CONTRACT BETWEEN BIAO AND RESTRUCTURED BIMA TO HELP NEW MAURITANIAN MANAGER OPERATE BANK, RECRUIT NEEDED EXPATRIATE STAFF, ETC.; AND MUTUALLY SATISFACTORY SETTLEMENT OF OUTSTANDING FINANCIAL PROBLEMS RESULTING FROM ROUTINE BANKING OPERATIONS IMMEDIATELY PRIOR TO AND AFTER FEBRUARY SEQUESTRATION. OULD DADDAH REITERATED HIS DETERMINATION TO "DISCIPLINE" BIMA; INSISTED THAT MOST LIBERAL OFFER HE COULD MAKE WAS NOMINAL FINE EQUALLING FIVE PER CENT OF BIMA'S POTENTIAL LIABILITY, THAT IS FIVE MILLION DOLLARS; AND ASSERTED THAT CURRENT VALUE OF BIMA COULD ONLY BE DETERMINED THROUGH ITEM BY ITEM EXAMINATION OF EVERY ENTRY IN BIMA PORTFOLIO OF ASSETS AND LIABILITIES. DEMARQUETTE AGREED ONLY TO CARRY CENTRAL BANK'S COUNTERPROPOSAL BACK TO PARIS FOR STUDY BY DROMERE AND DIRECTORS. DAY OR TWO LATER AMBASSADOR RAISED BIMA PROBLEM WITH SIDI ABDALLAHI TO INSURE HE WAS AWARE OF ONGOING NEGOTIATIONS (HE HAD NOT BEEN) AND THAT HE WAS INFORMED THAT THAT TWO SIDES WERE QUITE FAR APART; AND TO INSURE THAT THROUGH SIDI GIRM NEGOTIATING POSITION WOULD REFLECT ITS DSOAD ECONOMIC AND POLITICAL INTERESTS RATHER THAN NARROW AND TECHNICAL CENTRAL BANK OBJECTIVES.

3. NOVEMBER EVENTS: DEMARQUETTE RETURNED TO NOUAKCHOTT NOVEMBER 5. SERIES OF MEETINGS WITH CENTRAL BANK STAFFERS REVEALED THAT MAURITANIANS HAD ACCEPTED PROPOSED OFF SET OF FINE AND PURCHASE PRICE OF SHARE
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INTEREST. MOREOVER, THERE WAS NO FURTHER TALK OF FIVE MILLION DOLLAR PENALTY. HOWEVER, FINAL SESSION WITH GOVERNOR FOLLOWING DAY WAS BOTH UNPRODUCTIVE AND UNPLEASANT. REPORTEDLY GOING OUT OF HIS WAY TO BE DISAGREEABLE AND AT TIMES NASTY, OULD DADDAH INSISTED ON ITEM BY ITEM EXAMINATION OF BIMA ASSETS BY ACCOUNTANTS OF TWO SIDES, AND CATEGORICALLY REFUSED TO REIMBURSE BIAO FOR ROUGHLY TWO MILLION

DOLLARS IT HAS PAID OUT ON BEHALF OF BIMA, PRIMARILY IN ROUTINE BANKING TRANSACTIONS PRIOR TO SEQUESTRATION AND PARTLY IN POST SEQUESTRATION PAYMENTS OF BIMA OBLIGATIONS, MADE XPRESSLY TO PRESERVE BIMA'S REPUTATION AND CREDIT WORTHINESS. FOLLOWING MORNING DEMARQUETTE INFORMED FRENCH AND AMERICAN AMBASSADORS THAT NEGOTIATIONS HAD REACHED COMPLETE IMPASSE, AND THAT HE WAS CATCHING FIRST PLANE BACK TO PARIS TO INFORM DROMERE OF BREAKDOWN.

4. FRENCH MINISTER OF COOPERATION, PIERRE ABELIN, HAD ARRIVE IN NOUAKCHOTT PRECEDING AFTERNOON FOR THREE DAY REVIEW OF FRANCO-MAURITANIAN RELATIONS WITH MINISTERS OF STATE FOR NATIONAL ECONOMY AND FOREIGN AFFAIRS, INCLUDING CONSIDERATION OF FUTURE PROGRAMS OF TECHNICAL AND ECONOMIC ASSISTANCE (NOUAKCHOTT 2360). ABELIN AGREED TO RAISE BIAO/BIMA DISPUTE WITH SIDI ABDALLAHI DURING COURSE OF DISCUSSIONS, AND DID SO LATER THAT DAY DURING PLENARY SESSION IN PRESENCE OF CENTRAL BANK GOVERNOR. SIDI WAS TAKEN BY SURPRISE; HE DELCARED HE HAD THOUGHT DISPUTE, IF NOT RESOLVED, WAS WELL ON WAY TOWARD RESOLUTION; AND STATED HE COULD NOT ADDRESS ISSUE SINCE HE WAS TOTALLY UNINFORMED. EARLY NEXT MORNING SIDI SENT WORD TO ABELIN THAT HE WISHED TO SCHEDULE SUPPLEMENTARY WORKING SESSION JUST BEFORE FINAL PLENARY TO TAKE UP BIMA PROBLEM.

5. U DI OPENED SPECIAL MEETING WITH ABELIN, PERMANENT UNDERSECRETARY OF GOF MINISTRY OF COOPERATION, FRENCH AMBASSADOR, AND OULD DADDAH WITH ANNOUNCEMENT THAT GIRM, IN GESTURE OF FRIENDSHIP AND COOPERATION AND IN RECOGNITION OF OUTSTANDING SUCCESS OF THEIR DISCUSSIONS, HAD QUASHED ALL CIVIL AND CRIMINAL PROCEEDINGS AGAINST BIMA AND ITS CONFIDENTIAL

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EMPLOYEES. BIMA WAS THEREFORE AS OF THAT MOMENT SIMPLY ANOTHER BANK LIKE ALL OTHERS OPERATING IN MAURITANIA. BIMA WOULD BE EXPECTED TO OBSERVE THE IN-COUNTRY DEPSOIT/

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CAPITAL RATIO JUST LIKE THE OTHERS, AND TO ABIDE BY ALL OTHER BANKING REGULATIONS. BUT THESE WERE TECHNICAL PROBLEMS TO BE WORKED OUT BY BMA MANAGEMENT AND BANKING AUTHORITIES. SIDI THEN PROPOSED FOUR ALTERNATIVE FORMULAS FOR REVISION OF CORPORATE STRUCTURE OF BANK, RESOLUTION OF DEPOSIT/CAPITAL DEFICIT, REIMBURSEMENT OF ROUTINE BANKING PAYMENTS, AND PROVISION OF TECHNICAL ASSISTANCE TO NEW BANK. PERMANENT UNDERSECRETARY TOOK DETAILED NOTES OF PROPOSALS. ABELIN REPORTEDLY RESPONDED WITH ASSURANCE THAT HE WOULD TAKE WHATEVER STEPS WERE REQUIRED TO BRING ABOUT SATISFACTORY SETTLEMENT. FINAL COMMUNIQUE NOTED TWO SIDES HAD "LAID BASIS FOR RAPID AND SATISFACTORY RESOLUTION OF OUTSTANDING QUESTIONS.....NOTABLY IN BANKING SECTOR".

6. ABELIN LEFT NOUAKCHOTT THAT AFTERNOON TO FLY TO MAURITIUS FOR OFFICIAL VISIT. PERMANENT UNDERSECRETARY RETURNED TO PARIS UNDER INSTRUCTIONS TO CONVEY SIDI'S PROPOSALS TO DROMERE ASAP. ABELIN TOLD FRENCH AMBASSADOR THAT AS SOON AS HE RETURNED TO PARIS HE WOULD CALL DROMERE IN, ASCERTAIN BIAO'S REACTION TO MAURITANIAN PROPOSALS, AND PUT WHATEVER PRRSURE WAS NECESSARY ON BIAO TO INSURE THAT IT REACHED DEFINITIVE SETTLEMENT WITH GIRM IN VERY NEAR FUTURE.
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7. COMMENT: IN VIEW OF DROMERE'S EXPRESSED INTEREST IN REACHING SETTLEMENT, HIS DESIRE TO FIND WAY TO PERMIT BIAO/BIMA TO CONTINUE OPERATING IN MAURITANIA IN SOME FASHION, AND FLEXIBILITY OF BIAO'S NEGOTIATING POSITION, WE WOULD EXPECT REASONABLY EASY AND EARLY RESOLUTION

OF LONGSTANDING PROBLEM.HANDYSIDE

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